

NEWFIELD



RULES PROCESSING TEAM

APR 15 2005

W. Mark Blumenshine
Land Manager

April 14, 2005

Department of the Interior
Minerals Management Service
Mail Stop 4024
381 Elden Street
Herndon, Virginia 20170-4817
Attn: Rules Processing Team (RPT)

Via e-mail to rules.comments@mma.gov

Re: Oil, Gas and Sulphur Operations and Leasing in the Outer Continental Shelf
Cost Recovery - **RIN 1010-AD16**
March 15, 2005

Ladies & Gentlemen:

Reference is herein made to the recently published proposed rule related to Cost Recovery for MMS services as referenced above. Newfield Exploration Company ("Newfield") is an active Operator and controls a significant number of federal leases covering blocks upon the Shelf and in the Deepwater GOM. Newfield submits the following comments for consideration.

The proposed rulemaking would implement new fees and revise certain existing fees for all companies operating on the OCS. It is Newfield's position that the fees proposed to be charged are for services that are simply costs associated with the administration of the leasehold and for which the MMS is generously compensated through the collection of lease bonus, delay rentals and royalties. Accordingly, Newfield does not support the adoption of proposed rulemaking that simply generates additional operational costs to the Lessee based upon the concept of "cost recovery" when in our estimation the MMS has previously been compensated through the competitive lease sale process.

Newfield submits that the adoption of proposed rulemaking which creates and imposes additional fees upon Lessee's for the services provided by the MMS in administering its leases could potentially discourage certain types of additional exploration and development activities upon the Outer Continental Shelf, which provides our country with a significant portion of its daily energy needs. Given the current need for a comprehensive national energy policy, high commodity prices within this country and the existing decline in OCS reserve replacement, Newfield can only surmise that any additional expense obligations upon Lessee's within the OCS could have a negative impact upon the exploration and development activities necessary to meet this country's energy needs.

Newfield is of the opinion that it is critical for the MMS to create and maintain an environment that will continue to attract investors with the expertise and leading edge technology necessary to explore and develop its public lands upon the OCS as opposed to taking those investment dollars to other areas, international ventures, etc. that currently compete with MMS lands. The MMS should carefully evaluate the need for additional fees, and in the event certain fees are adopted, the MMS should insure that the fees are reasonable and that there is a clear process for implementation that is

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understood by both the MMS and all Lessees impacted thereby. A positive investment environment will provide the framework for a healthy exploration and development activity base which is critical to the replacement of existing reserves produced on an annual basis from the OCS, as well as for the discovery of new reserves, and will far outweigh any near term impact of "cost recovery" collected by the MMS.

Thank you for the opportunity to provide these comments.

Respectfully,

A handwritten signature in black ink, appearing to read "W. Mark Blumenshine", with a long horizontal stroke extending to the right.

W. Mark Blumenshine
Land Manager